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The KSA Perspective

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Apparel & Footwear Profiles for 1991

Largest 5 firms accounted for all sales and profit gains while rest of industry staggered in a down year

Overall, the public apparel industry seems to have come through a second year of recession reasonably intact, and recent business activity offers signs that a turnaround is under way. But for whom? Last year, only the big did well.

Sales of all 47 companies in the Profile were $16.9 billion in fiscal 1991, up $803.5 million – a modest 5% after three years of double-digit gains. But the three largest firms in it — *VF, Liz Claiborne,* and *Fruit of the Loom* — gained $820 million, more than covering declines elsewhere.

Footwear Profile begins on page 5.

The disparity between the billion-dollar firms and the rest of the industry becomes even more lopsided when we add in the numbers for *Levi Strauss* and *Sara Lee* (not profiled because one is private and the other a conglomerate.) Combined sales for the two rose from $8 billion to $9 billion last year.

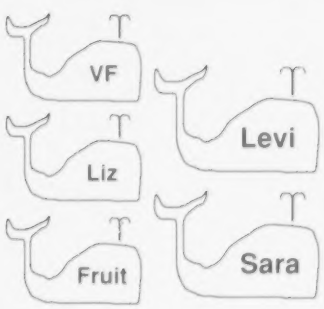
Together, then, the five largest apparel companies increased their sales by 13% in a down year. Their profits rose by $298 million. Income on sales (before extraordinary items) for the entire 47-company Profile was down by $84 million. That comparison suggests that a disproportionate amount of the profits needed to re-invest in the industry lie in the hands of only a few companies.

A Pod of Whales.

What's going on here? Obviously, concentration has become a fact of life in this once fragmented industry. The five firms cited above now account for about 23% of apparel's total wholesale volume. They are like a pod of whales in a pond. In last year's sluggish market, these leviathans continued to feed and grow at the expense of almost everyone else. Their product/market diversity, international scope, financial strength — as well as the momentum that sheer size generates — will propel them even farther ahead in years to come.

For the rest of the public companies in the Profile, simply surviving a second year of recession and retail turmoil took priority. Of the 47 firms, 16 lost money in fiscal 1991. There were 12 losers out of 45 in the preceding year. However, half of the Profile companies earned more last year, versus 40% in fiscal 1990. Things may be looking up. Companies closing in the first half of the year fared worse than those filing later, reflecting second half inventory replenishment that may have grown into something more permanent this spring.

Whales fed well in 1991



	Total Wholesale Dollars*
	$15.6 bill.
52 Other Public Companies & Conglomerates	$12.0 bill.
Everybody Else	$40 bill. ?

*Excludes direct retail imports.

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Apparel Sales and Earnings

SALES RANK 1991	SALES RANK 1990		Sales ($000)	Net Income ($000)
1	1	Levi Strauss 11/91-P	4,902,882	356,666
2	2	Sara Lee 06/91-C[1,2,3]	4,104,000	484,000 †
3	3	VF Corp. 12/91-D	2,952,433	161,330
4	4	Liz Claiborne 12/91-D	2,007,177	222,748
5	5	Fruit of the Loom 12/91-D	1,628,100	111,000
6	7	Leslie Fay 12/91-W	836,564	29,392
7	6	Crystal Brands 12/91-D	826,876	–71,394
8	9	Kellwood Company 04/91-D	807,953	12,447
		01/92	878,370	20,324
9	10	Phillips-Van Heusen Corp. 01/91-D	806,315	26,384
		01/92	904,100	31,137
10	11	Russell Corp. 12/91-D	804,585	56,839
11	8	Gitano 12/91-D	780,444	–62,473
12	12	Hartmarx 11/91-C	578,000	27,200 †
13	+	Warnaco 12/91-W	562,529	–28,449
14	13	Oxford Industries 05/91-D	505,845	5,541
		02/92	508,547	10,903
15	14	Salant Corp. 12/91-D	398,471	–19,109
16	16	Gerber Products 03/91-C	371,009	16,543 §
17	18	Oshkosh B'Gosh 12/91-W	365,173	23,576
18	16	Jones Apparel Group 12/91-W	334,066	30,763
19	20	Nike 05/91-C	325,700	+
20	17	Tultex Corp. 12/91-D	315,234	9,915
21	+	Cherokee 05/91-W	236,901	3,031
		08/91	209,570	–363
22	19	Bernard Chaus 06/91-W	232,444	–12,004
		03/92	437,795	2,503
23	21	Russ Togs 01/91-W	217,085	–22,427
		07/91	222,753	–28,540
24	22	Hampton Industries 12/91-M	162,160	–602
25	27	Farah 10/91-M	151,202	–5,508
		01/92	153,388	–4,956
26	26	Oneita Industries 09/91-D	150,995	3,817
		12/91	160,393	4,467
27	25	Garan 09/91-D	146,292	10,186
		12/91	155,504	11,873
28	23	G-III Apparel Group Ltd. 07/91-W	141,973	1,343
		01/92	154,427	2,527
29	24	Beeba's Creations 08/91-W	132,282	2,748
		11/91	126,140	4,900
30	+	He-Ro 05/91-S	128,917	16,298 ‡
31	+	Swank 12/91-A	128,064	1,226
32	+	Delta Woodside 06/91-C	123,904	7,076 §
33	29	Sanmark-Stardust 06/91-W	120,644	1,193
		12/91	121,810	1,771
34	28	Genesco 01/91-C	120,602	5,081 §
		01/92	119,291	37,240 §
35	30	Superior Surgical Mfg. 12/91-D	117,503	8,025
36	34	Quiksilver 10/91-M	97,059	6,444
		01/92	99,242	3,538
37	32	State-O-Maine 02/91-M	95,364	2,153
		02/92	121,153	7,489
38	33	Andover Togs 11/91-W	92,089	1,202
39	31	Oak Hill Sportswear Corp. 12/91-W	91,194	458
40	+	Signal Apparel Company 12/91-M	90,137	–31,928
41	41	Nutmeg Industries 01/91-D	74,211	2,016
		01/92	122,373	6,799
42	38	Sun Sportswear 12/91-D	71,795	2,192
43	35	Stage II Apparel Corp. 12/91-M	66,798	867
44	40	Aileen 10/91-W	64,913	6,019
		01/92	65,555	6,176
45	42	Kleinert's 11/91-W	62,539	1,536
46	37	Jaclyn 06/91-A	55,040	841
		03/92	63,684	1,298
47	43	Alba-Waldensian 12/91-A	39,728	1,409
48	46	Munsingwear 12/91-M	35,599	–69 §
49	44	Nantucket Industries 02/91-D	33,337	–150
		02/92	44,690	704
50	45	ProGroup 09/91-A	32,838	320
		12/91	33,668	635
51	+	Body Drama 08/91-S	27,200	1,300 ‡
52	47	Raven 01/91-C	26,084	2,260 §
		01/92	33,798	–231 §
53	48	Private Brands 09/91-A	25,521	–3,915
		12/91	25,040	1,185
54	50	Rocky Mount Undergarment 12/91-W	18,875	–297
55	51	Howard B. Wolf 05/91	8,920	358
		02/92	9,675	397
56	52	Techknits 02/91-W	6,453	–238
		11/91	8,180	–142
57	53	Littlefield, Adams & Co. 12/91-D	5,205	–260

Where available, quarterly data have been added to show latest 12 months' performance.

Where previous year's figures have been restated by a company, they are not reflected in the Profile.

§ Operating earnings † Pre-tax income + Not available
‡ Unaudited numbers from Initial Public Offering.
P – Privately owned company filing 10-K report
S – Initial Public Offering
C – Multi-industry firms or conglomerate divisions. Apparel sales may be estimated and include the following components: (1) Apparel; (2) Hosiery; (3) Associated Fashion Products.

Other classification definitions are listed on page 5.

Composite performance figures are the Profile's battle scars from a tough year. Gross profit declined to 29% of sales, while SG&A rose half a point to 20.3% of sales. (In 1987, it was 17.8%. Gaining share via brand promotion and licensing costs something.) These expenses reduced the $803.5-million sales gain to a $78-million decline in operating earnings. Even though the group's interest expense was lower, its combined income after taxes was down by $84 million, yielding a 3.2% return on sales. It was 5.2% in 1987.

The Profile's over-all return on equity dropped to 10% from 12% in 1990, weakening apparel's appeal as an investment. Although net income dollars were roughly the same, a pay-down of $303 million in long-term debt raised the industry's total equity. ROE was a steady 15-16% between 1987 and 1989 . . . . Capital expenditures dropped below

Noteworthy Performances

Return on Total Equity

	1991 %	1987-91 %	1987-91 Rank
1 Jones Apparel Group	35.85	—	—
2 Liz Claiborne	24.49	26.82	1
3 Aileen	22.04	–2.26	35
4 Phillips-Van Heusen	19.53	19.60	4
5 VF Corp.	17.06	16.53	6
6 Fruit of the Loom	16.12	16.68	5
7 Quiksilver	16.09	24.65	2
8 Superior Surgical	14.68	15.74	7
9 Oshkosh B'Gosh	14.09	21.25	3
10 Leslie Fay	13.62	15.61	8
Profile:	**10.18**		
Median:	**6.20**		

Return on Sales

(Before extraordinary items)

	1991 %	1987-91 %	1987-91 Rank
1 Liz Claiborne	11.10	11.08	1
2 Aileen	9.27	–0.86	34
3 Jones Apparel Group	9.21	—	—
4 Russell Corp.	7.06	9.00	2
5 Garan	6.96	5.57	7
6 Superior Surgical	6.83	6.28	5
7 Fruit of the Loom	6.82	5.03	10
8 Quiksilver	6.64	8.62	4
9 Oshkosh B'Gosh	6.46	9.00	2
10 VF Corp.	5.46	5.85	6
Profile:	**3.25**		
Median:	**1.10**		

3% of sales for the first time in five years. While necessary investments in "soft technology" — product development, systems support for QR, and training — continue to be made, they may not be capitalized the same way by all companies.

Signs of the times: the entire Profile's collection period was shorter by one day in 1990-91, and allowances for doubtful accounts were double what they were in 1989 .... Total inventories were shaved to 28.7% of assets. Recessionary caution was certainly a factor, but these changes also reflect faster deliveries and electronic linkage.

Sector Performances.

Among the Profile's four sub-industries, Diversified was again dominant. Home of so many large companies, the 18 firms in this classification supplied three-quarters of the Profile's sales and 95% of its profits (before extraordinary items) — despite the fact that 11 of them made less money last year.

Stand-out performances were turned in by the big three. *Fruit of the Loom* increased profits 44% on a 14% sales gain, and ranked first in operating earnings despite drifting under 20% for the first time. *FOL's* heavy interest payments dropped to 7% of sales, thanks to easier rates .... Despite slower profit growth last year, *Liz Claiborne* still managed to lead the Profile with an 11% ROS, and ranked second in four other performance ratios .... *VF's* solid showing was helped by its strong portfolio of brands and its well managed responsive marketing program .... *Nutmeg* increased its dollar income 11 times on a 46% sales gain, highlighting the explosive demand for licensed products .... Leaner stocks and shorter cycles helped *Oxford* rank fifth in inventory turns and stay in the black after an 8% sales dip. This early closer will do better next year.

The Women's & Children's Wear sector added *Jones Apparel* (IPO), *Cherokee* (returned), and *Rocky Mount* (reclassified) this year. *He-Ro* is another IPO whose pro-forma numbers are not in the Profile.

Total sales for these 17 firms were off less than 1%, but profits declined 20%. Without $40 million in losses by *Warnaco* and *Chaus*, the group would have shown a profit gain .... *Jones* made an auspicious entry with three first place Return rankings, helped by a low asset base .... *Aileen* was another top performer in women's wear, with a leading 48% gross profit and four other rankings in the top five. However, 89% of its sales were through its own retail outlets.

Only one of the seven Men's and Boys' Wear firms earned more in 1991. *Stage II* enjoyed a $2-million turnaround from a loss in 1990, on a sales decline of $15 million. Four companies in this troubled sector lost money, with *Farah*, *Signal*, and *Munsingwear* accounting for $36.7 million .... The last chimed in with a one-time credit of $63 million .... *Quiksilver* placed high in the performance rankings (pp. 4-5) although its profits declined 32% on a 6% rise in sales. Even so, high gross margins and inventory turns left it with a 6.6% return on sales.

All five companies in the Associated Fashion Products sector had lower revenues in 1991, and profits declined 82% to $109,000 — an almost invisible 0.04% return on the group's combined sales of $281 million. One of the problems on its 1991 composite P&L was that gross profit (30.4%) and SG&A (28.8%) were within two points of each other .... Recently returned *Swank* offered a lonely bright note with its $5.7-million turnaround to profitability.

Swimming With Leviathans.

Once past the top five names on the Sales & Earnings list, this year's Profile makes glum reading. But the precipitous drop-off in size does not mean there is no hope for all the smaller fish.

Some excellent performances were turned in last year by companies under $100 million who have developed special strengths and competitive niches. And there are medium-

Apparel Performance Profile — Fiscal 1991

COMPANY	NET A.T. INCOME ON SALES %	91	90	RETURN ON TOTAL EQUITY %	91	90	TOTAL DEBT TO ASSETS 91	90	RETURN ON TOTAL ASSETS %	91	90	GROSS PROFIT %	91	90	OPERATING EARNINGS %	91	90	INVENTORY TURNS 91	90	RETURN ON INVESTED CAPITAL %	91	90
AILEEN 10/91-W	9.27	3	13	22.04	3	15	0.20	45	43	17.74	3	9	48.25	1	2	9.32	12	33	2.40	42	42	22.01	3	9
ALBA-WALDENSIAN 12/91-A	3.55	11	16	5.80	23	23	0.18	46	45	4.73	15	18	20.76	32	33	4.74	23	25	3.21	26	19	5.60	17	17
ANDOVER TOGS 11/91-W	1.60	20	34	6.96	20	34	0.63	11	9	2.59	24	34	23.35	26	30	4.96	22	33	3.71	20	18	4.54	19	34
BEEBA'S CREATIONS 08/91-W	2.08	19	++	8.20	16	++	0.22	42	28	6.42	12	++	23.19	28	28	4.25	25	38	5.96	3	6	8.20	12	++
BERNARD CHAUS INC 06/91-W	-5.16	37	30	-31.86	36	28	0.54	19	31	-14.54	38	25	17.24	37	34	-4.96	43	36	9.34	1	1	-19.23	36	27
THE CHEROKEE GROUP 05/91-W	0.60	29	27	10.76	13	19	0.86	3	4	1.48	28	29	32.00	10	8	12.44	7	5	4.71	6	17	1.89	29	29
CRYSTAL BRANDS 12/91-D	-3.89	++	17	-36.90	++	16	0.71	8	14	-10.83	++	20	29.76	15	9	3.69	27	14	2.65	37	38	-17.11	++	21
FARAH MANUF/CTURING 10/91-M	-3.64	34	39	-12.01	35	37	0.57	16	17	-5.16	35	38	25.72	24	41	-1.85	41	46	2.47	41	43	-10.79	35	38
FRUIT OF THE LOOM 12/91-D	6.82	7	11	16.12	6	7	0.67	9	5	5.25	14	22	30.75	14	10	19.61	1	1	3.05	29	32	7.40	14	22
GARAN INC 09/91-D	6.96	5	7	13.38	11	13	0.28	36	38	9.64	7	8	25.86	23	23	10.00	11	13	4.31	10	14	12.47	7	8
G-III APPAREL GROUP LTD 07/91-W	0.95	27	10	3.99	26	3	0.44	25	21	2.24	26	5	12.22	44	40	2.56	28	10	4.69	7	3	3.89	24	3
THE GITANO GROUP, INC. 12/91-D	-8.00	38	28	-45.65	39	27	0.72	7	19	-12.83	37	27	18.47	35	25	-5.22	44	27	3.21	26	30	-24.17	38	26
HAMPTON INDUSTRIES INC 12/91-M	-0.37	31	33	-1.15	31	33	0.44	25	26	-0.65	31	33	16.56	39	43	0.85	37	35	3.73	19	22	-0.83	32	33
JACLYN INC 06/91-A	1.53	22	20	3.95	27	17	0.28	36	33	2.84	21	13	26.75	21	19	0.07	38	26	6.23	2	2	3.91	23	11
JONES APPAREL GROUP 12/91-W	10.20	2	4	39.72	1	1	0.33	32	15	26.48	1	1	36.20	6	14	15.81	3	9	3.83	17	12	37.43	1	1
KELLWOOD COMPANY 04/91-D	1.54	21	23	6.22	21	21	0.59	15	16	2.57	25	23	17.27	36	39	3.76	26	28	4.30	11	15	3.89	24	23
KLEINERT'S 11/91-W	2.46	17	24	9.11	14	25	0.63	11	12	3.36	18	26	13.93	43	45	6.97	15	23	3.01	30	38	5.80	15	25
THE LESLIE FAY COMPANIES 12/91-W	3.51	12	15	13.62	10	10	0.45	24	17	7.43	9	15	29.75	16	17	7.48	13	19	4.28	13	10	9.79	9	15
LITTLEFIELD, ADAMS & CO 12/91-D	-5.00	36	++	-40.50	38	++	0.75	5	7	-10.02	36	++	17.21	38	26	-1.27	40	41	4.47	8	20	-22.81	37	++
LIZ CLAIBORNE, INC 12/91-D	11.10	1	1	24.49	2	4	0.23	40	37	18.96	2	3	39.84	3	3	16.37	2	3	4.11	15	9	24.45	2	4
MUNSINGWEAR 12/91-M	-24.16	+	++	367.25	+	++	0.31	34	1	253.54	+	++	27.17	20	42	-0.19	39	47	4.29	12	37	352.32	+	++
NANTUCKET INDUSTRIES 02/91-D	-0.45	32	14	-1.20	32	14	0.42	28	29	-0.70	32	11	22.50	30	20	0.93	36	16	2.31	43	31	-0.82	31	14
NUTMEG INDUSTRIES 01/91-D	2.72	15	31	7.79	17	31	0.44	25	31	4.34	16	30	29.16	18	11	6.77	17	18	2.22	45	47	5.68	16	30
OAK HILL SPORTSWEAR CORP. 12/91-W	0.50	30	++	3.31	29	++	0.56	17	12	1.44	29	++	25.96	22	27	2.17	31	40	4.47	8	5	2.88	27	++
ONEITA INDUSTRIES INC 09/91-D	2.53	16	12	6.15	22	13	0.46	22	25	3.30	19	16	16.05	41	36	5.97	18	17	3.09	28	22	4.06	22	16
OSHKOSH B'GOSH 12/91-W	6.46	9	5	14.09	9	6	0.22	42	45	10.97	5	4	29.69	17	15	11.20	9	6	2.77	33	41	13.89	5	5
OXFORD INDUSTRIES 05/91-D	1.10	24	25	5.47	24	20	0.46	22	23	2.96	20	21	19.72	34	37	2.37	30	31	5.16	5	7	4.31	20	18
PHILLIPS-VAN HEUSEN CORP 01/91-D	3.27	13	19	19.53	4	5	0.64	10	10	7.00	10	14	35.25	7	13	6.97	15	20	2.56	38	35	9.58	10	13
PRIVATE BRANDS, INC. 09/91-A	-14.45	40	32	-60.24	40	32	0.62	14	24	-23.15	40	32	-11.98	47	47	-19.18	47	37	2.72	35	44	-60.24	40	32
PROGROUP INC 09/91-A	0.97	24	17	1.56	30	22	0.18	46	44	1.28	30	17	28.47	19	21	1.53	32	24	3.42	22	13	1.40	30	19
QUIKSILVER 10/91-M	6.64	8	2	16.09	7	2	0.22	42	47	12.59	4	2	38.09	5	5	12.58	5	4	5.47	4	4	15.14	4	2
ROCKY MOUNT UNDERGARMENT CO 12/91-D	-1.57	33	40	-4.59	34	38	0.39	30	42	-2.82	34	40	15.50	42	46	-3.37	42	45	2.70	36	26	-4.11	34	39
RUSS TOGS 01/91-W	-10.01	39	36	-32.98	37	36	0.49	20	40	-16.67	39	37	11.47	45	44	-9.90	45	44	2.77	33	34	-31.43	39	37
RUSSELL CORPORATION 12/91-D	7.06	4	3	11.19	12	12	0.38	31	26	6.95	11	10	31.25	12	6	13.50	4	2	3.30	24	25	8.26	11	12
SALANT CORPORATION 12/91-D	-1.40	++	++	0.00	++	++	1.17	1	3	-7.05	++	++	23.20	27	32	1.31	34	43	3.38	23	28	0.00	++	++
SANMARK-STARDUST INC 06/91-W	0.71	28	29	7.53	18	30	0.77	4	6	1.70	27	31	23.74	25	22	5.32	20	22	1.95	46	46	2.83	28	31
SIGNAL APPAREL COMPANY 12/91-M	-25.10	++	++	-113.57	++	++	0.74	6	10	-29.22	++	++	9.87	46	38	-18.00	46	42	2.52	40	27	-39.42	++	++
STAGE II APPAREL CORP. 12/91-M	1.30	23	35	3.74	28	35	0.29	35	36	2.65	22	36	22.86	29	29	2.44	29	39	3.85	16	11	3.69	26	36
STATE-O-MAINE 02/91-M	2.26	18	9	5.31	25	11	0.25	39	38	3.98	17	7	39.48	4	4	7.33	14	12	3.83	17	8	5.24	18	7
SUN SPORTSWEAR, INC. 12/91-D	3.05	14	26	8.98	15	26	0.32	33	29	6.07	13	24	22.16	31	31	5.30	21	30	2.87	31	35	7.98	13	24
SUPERIOR SURGICAL MFG 12/91-D	6.83	6	6	14.68	8	8	0.27	38	33	10.78	6	6	33.57	9	12	11.63	8	8	2.30	44	40	12.99	6	6
SWANK, INC 12/91-A	0.96	26	37	7.14	19	39	0.63	11	8	2.62	23	39	43.93	2	1	5.55	19	32	3.28	25	24	4.24	21	40
TECHKNITS, INC. 02/91-W	-3.70	35	22	-3.20	33	29	0.42	28	35	-1.86	33	28	19.99	33	35	1.47	33	21	1.36	47	45	-2.89	33	28
TULTEX CORPORATION 12/91-D	0.97	+	8	6.65	+	9	0.49	20	22	3.39	+	12	16.40	40	24	4.52	24	7	3.48	21	21	4.92	+	10
VF CORPORATION 12/91-D	5.46	10	++	17.06	5	++	0.56	17	20	7.59	8	++	30.91	13	18	10.30	10	15	4.19	14	16	10.55	8	++
THE WARNACO GROUP, INC. 12/91-W	-2.24	++	38	-71.49	++	#	0.93	2	2	-5.26	++	35	34.73	8	7	12.58	5	11	2.53	39	33	-6.60	++	35
HOWARD B WOLF, INC 05/91-W	-0.12	+	21	6.90	+	23	0.23	40	40	5.32	+	19	31.42	11	16	1.01	35	29	2.82	32	29	6.49	+	20

Footwear Performance Profile — Fiscal 1991

COMPANY	NET A.T. INCOME ON SALES %	91	90	RETURN ON TOTAL EQUITY %	91	90	TOTAL DEBT TO ASSETS	91	90	RETURN ON TOTAL ASSETS %	91	90	GROSS PROFIT %	91	90	OPERATING EARNINGS %	91	90	INVENTORY TURNS	91	90	RETURN ON INVESTED CAPITAL %	91	90
J BAKER INC 01/92-R	1.63	10	13	7.64	9	11	0.65	3	3	2.70	10	12	38.27	6	7	4.70	12	13	1.91	22	20	4.35	11	12
R G BARRY CORP 12/91-M	-1.23	15	++	-5.36	16	++	0.53	6	6	-2.54	16	++	32.78	12	13	0.70	18	21	4.20	6	11	-3.46	16	++
BROWN GROUP INC 01/92-R	0.91	12	12	1.20	13	9	0.56	5	7	0.53	13	11	36.89	7	5	2.04	16	15	3.02	11	12	0.82	13	9
DANIEL GREEN COMPANY 12/91-M	2.40	9	16	5.30	11	15	0.44	9	10	2.96	9	15	23.20	20	18	6.96	9	18	2.16	19	22	5.22	9	15
GENESCO 01/92-R	0.10	14	14	0.31	14	14	0.57	14	14	0.19	14	14	36.17	9	9	1.04	17	19	2.57	15	16	0.27	14	14
HYDE ATHLETIC INDUSTRIES 12/91-A	3.05	++	++	5.81	++	++	0.44	9	11	2.13	++	++	27.15	17	16	2.52	15	16	2.14	20	18	2.58	++	++
JUSTIN INDUSTRIES, INC 12/91-M	2.55	+	11	15.08	+	13	0.57	4	5	6.50	+	13	29.15	14	15	6.30	10	12	2.20	18	17	7.90	+	13
K-SWISS 12/91-A	7.38	5	5	19.52	4	3	0.33	15	9	13.10	4	5	36.56	8	6	14.10	5	3	2.10	21	21	15.70	4	6
L A GEAR 11/91-A	-8.79	++	9	-28.57	++	6	0.29	18	11	-20.33	++	7	27.41	16	12	-8.86	21	7	2.97	12	9	-28.57	++	5
MCRAE INDUSTRIES INC 07/91-M	6.66	6	6	15.77	5	5	0.30	17	16	11.07	5	4	28.01	19	17	11.08	6	5	5.55	3	2	19.34	5	3
NIKE INC 05/91-A	9.56	2	1	27.79	2	1	0.40	13	18	16.80	2	1	38.39	9	6	16.28	2	1	4.13	7	6	27.80	1	1
PENOBSCOT SHOE COMPANY 11/91-M	1.82	16	17	-2.80	15	16	0.11	22	22	-2.49	15	17	24.63	18	19	1.49	19	22	3.14	5	7	2.80	15	16
REEBOK INTERNATIONAL LTD 12/91-A	8.58	3	3	28.50	1	4	0.42	11	17	16.40	3	3	39.26	4	3	14.89	4	4	4.13	7	8	23.61	3	4
SAM & LIBBY, INC 12/91-M	7.71	+	+	32.01	+	+	0.31	16	3	22.08	+	+	39.67	2	10	15.32	3	9	5.18	4	1	31.69	+	+
THE STRIDE RITE CORP 11/91-M	11.48	1	2	27.43	3	2	0.28	19	15	19.86	1	2	- 42.76	1	1	18.33	1	2	2.89	13	14	26.97	2	2
SUAVE SHOE CORPORATION 09/91-M	8.19	12	10	25.85	12	12	0.63	12	19	15.23	17	9	0.62	22	21	11.10	22	8	8.69	1	4	191.95	17	10
THE TIMBERLAND COMPANY 12/91-M	3.58	8	8	8.66	8	10	0.46	8	8	4.67	8	10	34.99	10	8	7.70	8	6	2.30	16	19	5.89	8	11
B B WALKER COMPANY 10/91-M	6.70	13	15	7.24	10	17	0.78	2	1	1.60	11	16	23.62	19	20	4.39	14	17	2.29	17	15	4.77	10	17
WELLCO ENTERPRISES 06/91-M	8.35	4	4	12.52	6	8	0.24	21	20	9.49	6	8	18.27	21	22	9.29	7	11	6.60	2	3	12.52	6	8
WEYCO GROUP INC. 12/91-R	3.63	7	7	9.64	7	7	0.26	20	21	7.13	7	6	33.90	11	11	5.30	11	10	3.77	9	10	9.64	7	7
WIENER ENTERPRISES, INC. 01/92-R	-7.35	++	18	0.00	++	18	1.26	1	2	-62.51	++	18	39.36	3	2	-4.90	20	20	3.43	10	5	NA	++	18
WOLVERINE WORLD WIDE INC 12/91-M	1.04	11	++	2.94	12	++	0.47	7	11	1.56	12	++	31.96	13	14	4.67	13	14	2.86	14	13	2.29	12	++

+ Extraordinary gains exceed 1% of net sales; unranked.
++Extraordinary losses exceed 1% of net sales; unranked.
ROE not calculated because of negative equity and negative earnings.

What the Ratios Mean

Return on Sales: Earnings after tax as shown on the income statement divided by sales and reported as a percentage. (Note that income net of extraordinary items is used.)

Return on Total Equity: Net income divided by total equity and reported as a percentage.

Total Debt to Assets: Total debt is the sum of current, long-term, and deferred liabilities. Customarily termed the debt ratio.

Return on Total Assets: Net income divided by total assets and reported as a percentage.

Sales to Total Assets: Net sales divided by total assets (including intangibles).

Inventory Turns: Cost of goods sold divided by the average of beginning and ending total inventory.

Return on Invested Capital: Net income divided by total equity plus long-term debt and reported as a percentage.

Apparel Classifications

Public companies deriving at least half of their total sales volumes from manufacturing and/or marketing of apparel or associated personal consumer products are included in the full data analysis.

These firms have been classified M (75% Men's and Boys' Apparel), W (75% Women's and Children's Apparel), D (Diversified, with no sector accounting for 75%), or A (Associated Fashion Products – companies whose sales may include some apparel along with related products such as hosiery, gloves, headwear, leather products, jewelry, sporting goods, and the like). A separate category –C– covers divisions of conglomerates or multi-product companies that do a significant amount of business in apparel, although more than half of their sales is in retailing, footwear or unrelated products. The apparel sales volumes of these companies, and some indication of their earnings performances, where available, are included in the Sales & Earnings table on page 2. However, their financial data have not been tabulated in the Profile.

Footwear Classifications

Manufacturing/Sourcing (M) includes companies deriving 50% or more of their sales from footwear manufacturing or importing.

Athletic (A) includes companies that meet the above definition, but specialize in athletic footwear.

Retailing/Diversified (R/D) includes companies primarily engaged in footwear, although they may also derive some of their sales from other product categories. These companies manufacture, import, or retail footwear.

Conglomerates (C) are companies whose footwear volume, from either manufacturing or retailing, is significant but represents less than 50% of their sales. Only their footwear-related sales and operating earnings appear in the Profile.

Apparel Industry Sector Composites and Top Performers

Industry Sectors and Top Performers*	No. of Firms Reported	Sales ($000)	Net Income ($000)	Return on Sales %	Return on Total Equity %	Total Debt to Assets	Return on Total Assets %	Sales to Total Assets	Gross Profit %	Oper. Earn. %	Inv. Turns	Return on Invested Capital %
Women's & Children's Wear (W)												
Jones Apparel Group		334,066	30,763	9.21	35.85	.33	23.90	2.60	36.20	15.81	3.83	33.79
1991	17	3,524,644	38,204	1.50	4.66	.60	1.85	1.71	27.90	7.25	3.51	2.52
1990 (FY '90 Profile: 13)	17	3,558,264	63,678	1.87	9.63	.68	3.10	1.73	28.05	7.42	4.31	4.45
Men's & Boys' Wear (M)												
Quiksilver		97,059	6,444	6.64	16.09	.22	12.59	1.90	38.09	12.58	5.47	15.14
1991	7	698,319	26,000[1]	-3.99	10.62	.48	5.55	1.49	24.95	.45	3.29	7.95
1990 (FY '90 Profile: 7)	7	690,829	-37,522	-1.44	-21.46	.56	-9.46	1.74	23.76	.37	3.53	-17.15
Associated Fashion Products (A)												
Swank		128,064	1,226	.96	7.14	.63	2.62	2.73	43.93	5.55	3.28	4.24
1991	5	281,191	-119	0.04	-0.13	.39	-0.08	1.90	30.41	1.65	3.52	-0.11
1990 (FY '90 Profile: 4)	5	320,474	596	0.19	0.64	.43	0.36	1.96	31.66	3.60	4.86	0.53
Diversified (D)												
Liz Claiborne		2,007,177	222,748	11.10	24.49	.23	18.96	1.71	39.84	16.37	4.11	24.45
1991	18	12,432,771	479,054	4.22	11.47	.56	5.10	1.32	29.52	9.77	3.51	7.37
1990 (FY '90 Profile: 21)	18	11,563,858	521,682	4.99	14.24	.59	5.86	1.30	30.13	11.06	3.38	8.35
Industry Totals												
1991	47	16,936,925	543,139	3.25	10.18	.56	4.50	1.40	29.01	8.73	3.50	6.43
1990	47	16,133,425	548,434	3.93	11.94	.60	4.76	1.40	29.43	9.65	3.58	6.85

*Top performers had best return on total equity ranking in each sector.
[1] Includes extraordinary items of $53,874.

sized firms who are successfully adapting winning formulas such as more responsive marketing, flow replenishment, joint product development with their customers, global sourcing and marketing and, as always in apparel, innovative style creations at competitive prices.

These companies are not exactly minnows. Given the capital to support such initiatives, they will demonstrate that it is possible to swim alongside the leviathans.

Changing Roles

Almost all branded apparel manufacturers have outlet stores for clearing out over-runs and returns. But sales of merchandise lines designed and priced specifically for these outlet stores have grown by leaps and bounds.

Although their retail sales are not reported consistently by all manufacturers in the Profile, we estimate they now account for over 10% of the total — at least $2 billion in 1991. PVH, with over 600 outlets, derives over half of its total sales from retailing. It is not alone among manufacturers seeking higher margin ratios and greater control over the fate of their lines.

At what point should these firms be classified as retailers?

Footwear Industry Sector Composites

Industry Sectors	No. of Firms Reported	Sales ($000)	Net Income ($000)	Return on Sales %	Return on total Equity %	Total Debt to Assets	Return on Total Assets %	Sales to Total Assets	Gross Profit %	Oper. Earn. %	Inv. Turns	Return on Invested Capital %
Manufacturing/Sourcing (M)												
1991	12	1,859,960	104,716	4.98	15.06	.43	8.55	1.52	34.02	9.54	2.82	11.49
1990 (FY '90 Profile: 12)	12	1,706,340	65,793	4.66	11.10	.47	5.92	1.53	33.75	8.55	2.77	7.97
Athletic Footwear (A)												
1991	5	6,533,178	465,377	7.32	21.54	.40	13.00	1.82	37.58	13.16	3.86	19.51
1990 (FY '90 Profile: 5)	5	5,451,984	458,758	8.43	22.37	.31	15.40	1.83	37.94	14.36	4.27	20.76
Retail/Diversified (R/D)												
1991	5	2,883,748	8,537	.89	1.38	.53	.64	2.18	36.91	2.37	2.71	.98
1990 (FY '90 Profile: 3)	5	2,865,182	40,377	1.47	6.36	.53	2.99	2.12	37.41	3.53	2.75	4.49
Industry Totals												
1991	22	11,276,886	578,630	5.29	16.66	.43	9.44	1.84	36.82	9.80	3.30	13.90
1990	22	10,023,516	564,928	5.80	17.23	.40	10.38	1.84	37.07	10.28	3.41	14.36

Footwear Profile for 1991

Sales growth slows further, but 22 public companies add profit in a recession

Sales for the 22 public footwear firms in this year's Profile rose 12.5% to $11.3 billion for another double-digit increase. Although not as lofty as those of the previous four years, the gain was certainly welcome in a recession year. Profits for the Profile were $596 million, up by a modest 2.6%, but up nonetheless.

As with apparel, a few large firms covered weaknesses elsewhere in the Profile. *Nike, Reebok,* and *Stride-Rite* accounted for 56% of the industry's sales; their profits exceeded the Profile's composite bottom line by $9 million. Five companies, led by *L.A. Gear,* suffered losses totaling more than $80 million. Sales for half the companies were off in fiscal 1991.

The performance rankings table on page 5 reveals some shifts among the giants. Despite its $3 billion volume, which moved it ahead of *Woolworth, Nike* gave up four of its Number One spots to *Reebok* and *Stride-Rite.* Only *K-Swiss, McRae, Wellco,* and newcomer *Sam & Libby* were able to join them in the top five circle.

Sector Comparisons.

The Manufacturing/Sourcing group of 12 companies reported a solid 17% gain in profits on a 9% sales rise. Gross profit firmed a bit, and SG&A was at its lowest percentage in five years, allowing the sector an extra 1% in operating earnings . . . . *Walker, Green,* and *Wolverine* were able to recover from losses in 1990, with a combined turnaround of $10.5 million, and *Penobscot* and *Barry* reduced their losses while remaining in the red a second year. Not bad for a recession . . . . *Suave Shoe,* unfortunately, could not recover from a 15% drop in sales and lost $4.3 million last year.

Things were worse for the five Retailing/Diversified firms, four of whom saw their sales slip in 1991. *J. Baker* was the only exception, gaining 17% . . . . *Wiener* showed the only loss, but *Weyco* had the only decent profit ratio in this poorly performing group.

By contrast, the Athletic Footwear sector forged resolutely ahead, recession or no recession. Once again it put the spring into footwear's step, supplying 58% of its sales and 80% of its profits. *L.A. Gear's* sudden fall accounted for almost $300 million less sales and a $97-million profit reversal. Without it, this year's Footwear Profile would have ridden into the record books — on the broad shoulders of *Nike* and *Reebok.*

Even so, footwear showed better results than apparel or textiles. Which raises a question: Why should consumers continue to buy footwear but pull back on apparel when times are tough? More value? More style appeal? Whatever it is that drives athletic footwear purchases, apparel and textiles could use a dose of it.

Footwear Sales and Earnings

SALES RANK 1991	1990	Company	Sales ($000)	Net Income ($000)
1	2	Nike 05/91-A	3,003,610	287,046
2	1	Woolworth 01/92-C	2,836,000	311,000§†
3	3	Reebok 12/91-A	2,734,474	234,711
4	5	Melville 12/91-C	1,747,415	162,769
5	4	Brown Group 01/92-R	1,727,816	3,764
6	6	May Dept. Stores Co. 01/92-C	1,548,000	184,000 §
7	9	U.S. Shoe 01/92-C	735,957	14,514 §
8	8	L.A. Gear 11/91-A	618,092	–66,200
9	10	The Stride Rite Corp. 11/91-M	574,379	65,960
10	12	J. Baker 01/92-R	493,542	8,024
11	11	Genesco 01/92-R	471,766	461
12	7	Edison Bros. 01/92-C	436,700	28,500 §
13	14	Justin Industries 12/91-M	368,350	19,233
14	13	Wolverine World Wide 12/91-M	313,820	3,250
15	15	Phillips-Van Heusen 01/92-C	307,700	34,000 §
16	16	The Timberland Company 12/91-M	226,082	8,085
17	17	Weyco Group 12/91-M	140,940	5,110
18	19	K-Swiss 12/91-A	119,015	8,786
19	18	R.G. Barry Corp. 12/91-M	102,791	–1,264
20	+	Sam & Libby 12/91-M	85,047	8,577
21	21	Hyde Athletic Industries 12/91-A	57,987	1,034
22	20	Suave Shoe Corp. 09/91-M	53,040	–4,344
23	+	Wiener Enterprises 01/92-R	49,684	–8,822
24	22	B.B. Walker Company 10/91-M	40,110	435
25	23	McRae Industries 07/91-M	37,284	2,484
26	24	Wellco Enterprises 06/91-M	24,261	2,027
+	+	Cherokee 05/91-C	22,061	+
+	25	Daniel Green Company 12/91-M	21,465	516
+	26	Penobscot Shoe Company 11/91-M	13,331	–243
		Sales Total	**$18,910,719**	

Where previous year's figures have been restated by a company, they are not reflected in the Profile.

§ Operating Earnings + Not available

† Excludes restructuring charges Classification definitions are listed on page 5.

Footwear Industry Medians

	1991
Sales	$307,700
% Return on Sales	2.55
% Return on Equity	7.64

Composite Profit and Loss Data — Apparel Industry

FISCAL PERIOD ENDING	1991		1990		1989		1988		1987	
	$	PCT	$	PCT	$	PCT	$	PCT	$	PCT
Net Sales	16936925	100.00	16133425	100.00	14038839	100.00	12245405	100.00	11079131	100.00
-Cost of Goods Sold	12024117	70.99	11385484	70.57	9926090	70.70	8780012	71.70	7807666	70.47
Gross Profit	4912808	29.01	4747941	29.43	4112749	29.30	3465393	28.30	3271465	29.53
-Sell. Gen. & Admin	3434529	20.28	3191296	19.78	2611026	18.60	2288011	18.68	1978009	17.85
Operating Earnings	1478279	8.73	1556645	9.65	1501723	10.70	1177382	9.61	1293456	11.67
-Interest Expense	470527	2.78	506309	3.14	383409	2.73	287426	2.35	246884	2.23
Misc. Inc. or Exp.	-21610	-0.13	24287	0.15	31435	0.22	42979	0.35	5461	0.05
Income Before Tax	986142	5.82	1074623	6.66	1149749	8.19	932935	7.62	1052033	9.50
- Income Tax	436234	2.58	440725	2.73	445968	3.18	324696	2.65	476092	4.30
Income After Tax	549908	3.25	533898	3.93	703781	5.01	608239	4.97	575941	5.20
Extraordinary Item	-6769	-0.04	-85464	-0.53	-10958	-0.08	-19044	-0.16	-48378	-0.44
Net Income	543139	3.21	548434	3.40	692823	4.94	589195	4.81	527563	4.76

Composite Profit and Loss Data — Footwear Industry

FISCAL PERIOD ENDING	1991		1990		1989		1988		1987	
	$	PCT	$	PCT	$	PCT	$	PCT	$	PCT
Net Sales	11276886	100.00	10023516	100.00	8687002	100.00	7251358	100.00	5857573	100.00
-Cost of Goods Sold	7124593	63.18	6307305	62.93	5416995	62.36	4655752	64.21	3654196	62.38
Gross Profit	4152293	36.82	3716211	37.07	3270007	37.64	2595606	35.79	2203377	37.62
-Sell. Gen. & Admin	3046862	27.02	2686069	26.80	2325998	26.78	1924227	26.54	1609957	27.49
Operating Earnings	1105431	9.80	1030151	10.28	944009	10.87	671379	9.26	593420	10.13
-Interest Expense	132684	1.18	98823	0.99	95986	1.10	77166	1.06	49691	0.85
Misc. Inc. or Exp.	10736	0.10	12294	0.12	31005	0.36	19267	0.27	32852	0.56
Income Before Tax	983483	8.72	943620	9.41	879028	10.12	613480	8.46	576581	9.84
- Income Tax	387163	3.43	362271	3.61	332502	3.83	235189	3.24	255873	4.37
Income After Tax	596320	5.29	581349	5.80	546526	6.29	378291	5.22	320708	5.48
Extraordinary Item	-17690	-0.16	-16421	-0.16	3477	0.04	-16204	-0.22	8350	0.14
Net Income	578630	5.13	564928	5.64	550003	6.33	362087	4.99	329058	5.62

The Complete Profile

Full print-outs of the Apparel and Footwear Profiles covering fiscal years ending 1987 through 1991 are available for in-depth comparisons and study.

For each of the companies, as well as the industry segment composites and the total industry aggregate, the reports contain a full financial statement, a balance sheet, and a comprehensive list of ratios.

They are available from KSA at a cost of $400 each. KSA also produces detailed 5-year profiles for the textile ($400) and retail ($500) industries.

Disclaimer

The information presented in this Performance Profile was obtained from available annual reports made by public companies to their stockholders and to the Securities and Exchange Commission. While we believe the information furnished to be reliable, no representations are made as to the accuracy thereof. Kurt Salmon Associates assumes no responsibility for any errors in the Performance Profile, whether of omission or commission.

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